



# Remittances Statistics: **First Meeting of the Luxembourg Group**

June 2006

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# Progress Report on CEMLA Remittances Compilation Manual for LAC Countries

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*Melior victus per melior indicium*  
*NF-LA. Nothing Flashy-Little Animation*

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# Data Profile for LAC Countries

- See handout table
- Predominantly net remittance receivers
- Large values recorded for some
- Rapid growth in recent years
- Importance relative to GDP, FDI inflows, household income, etc.
- Enormous public attention of late

Source for all these observations is.....

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# Data Source for Remittances

- IMF publications, *IFS* and *BOPSY*, which in turn depend on...
- National compilers at Central Banks
- There are no other sanctioned sources, and therefore
- Important to improve official data as much as possible.
- CEMLA participation on behalf of >20 LAC countries

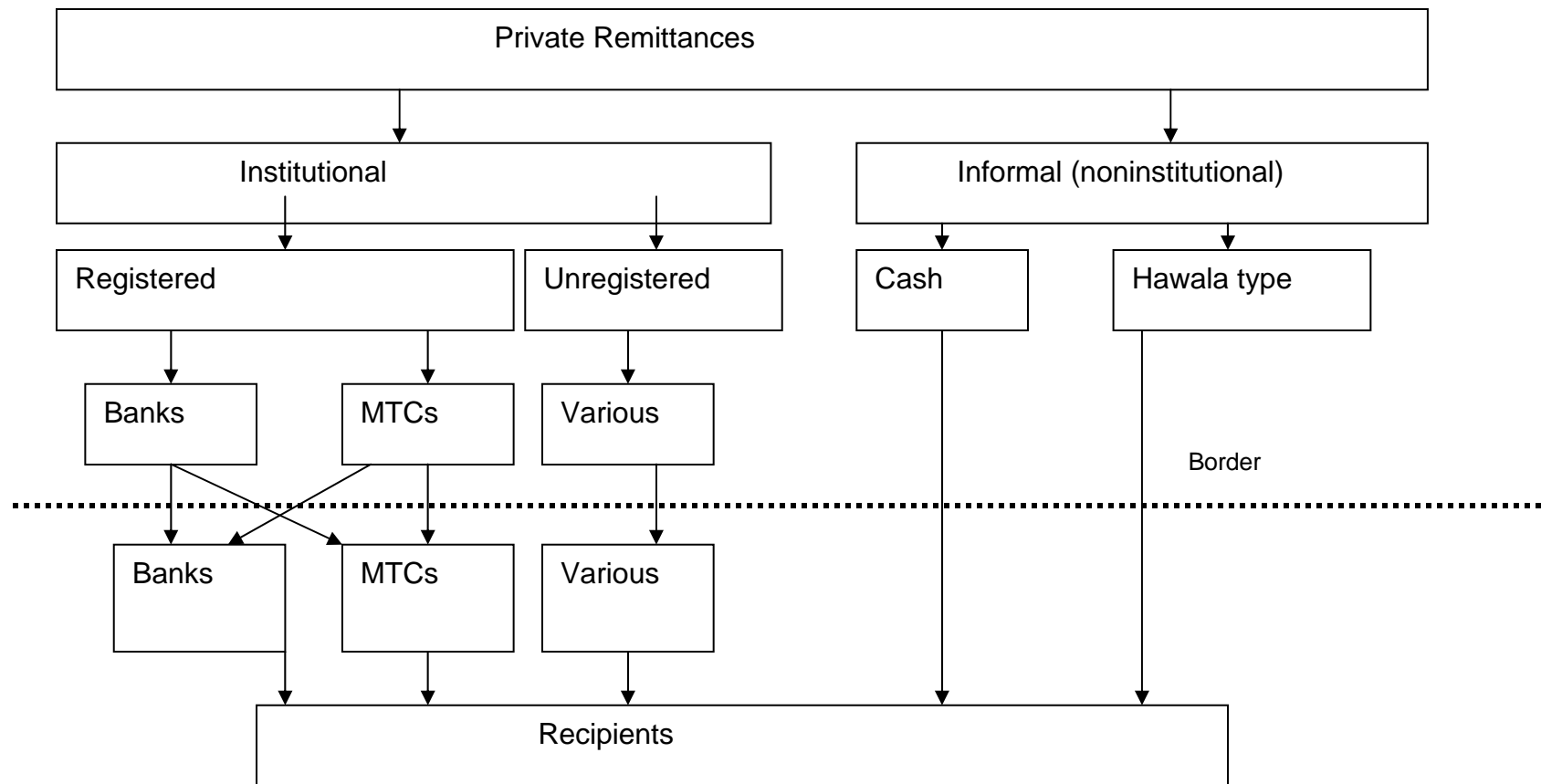
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# Aspects of Personal Remittances

- Large numbers of transactions
- Tend to be small values (\$300-\$500 for LAC)
- Various channels: formal and informal
- Main participants: MTCs\*/ and banks
  - LAC data suggest very large share for MTCs.
- Distinct patterns by country: mainly debits or mainly credits
- Definitional issues
  - Transition between BPMs 5 and 6
  - Mode 4
  - Easy confusion with payments or capital flows
- Problematic measurement

\*/ Money Transfer Companies; other names apply.

## Schematic of International Remittance Channels (Detail on “Agents” omitted)



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# Approaches to Remittances Measurement

- 1. Broad estimation: no fussy detail:
  - # migrants or potential remitters  
x “propensity to remit” ~ estimated flows  
(Some developed countries, often on debits side)
  - Econometric modeling not possible
- 2. Attempt direct measurement:
  - Formal reporting system
  - Surveys as necessary
  - Minimize rough estimates

Draft CEMLA manual proposes latter approach.

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# Structure and Coverage of Draft Manual

- Introduction
- I. Current Statistics, Concepts and Definitions
- II. Legal and Regulatory Framework
- III. Channels and Modalities
- IV. Measurement: Institutional Alternatives
- V. Survey Possibilities (households)
- VI. Other Issues: Innovations and Estimations
- VII. Data Disclosure and Dissemination
- VIII. Responsibilities and Roles
- IX. Best Practices Implementation
- X. Summary and Conclusions

Drafts Submitted now; various meetings; revisions to follow  
Manual concentrates on personal remittances credits.

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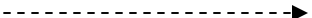
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# Institutional Reporting: Considerations

- Central bank and govt. authorities to require reports
  - Cost/benefit considerations for LAC countries
- Periodicity and parameters to be considered
- General criteria for “remittances”
  - Flow is cross-border (from individual)
  - Value of transactions
  - To Individual account or for individual recipient
- Specific reporters
  - Include or exclude “agent” reporting?
- Intra-government issues: Contending interests
- Feasible data streams? Dichotomy of money and information flows

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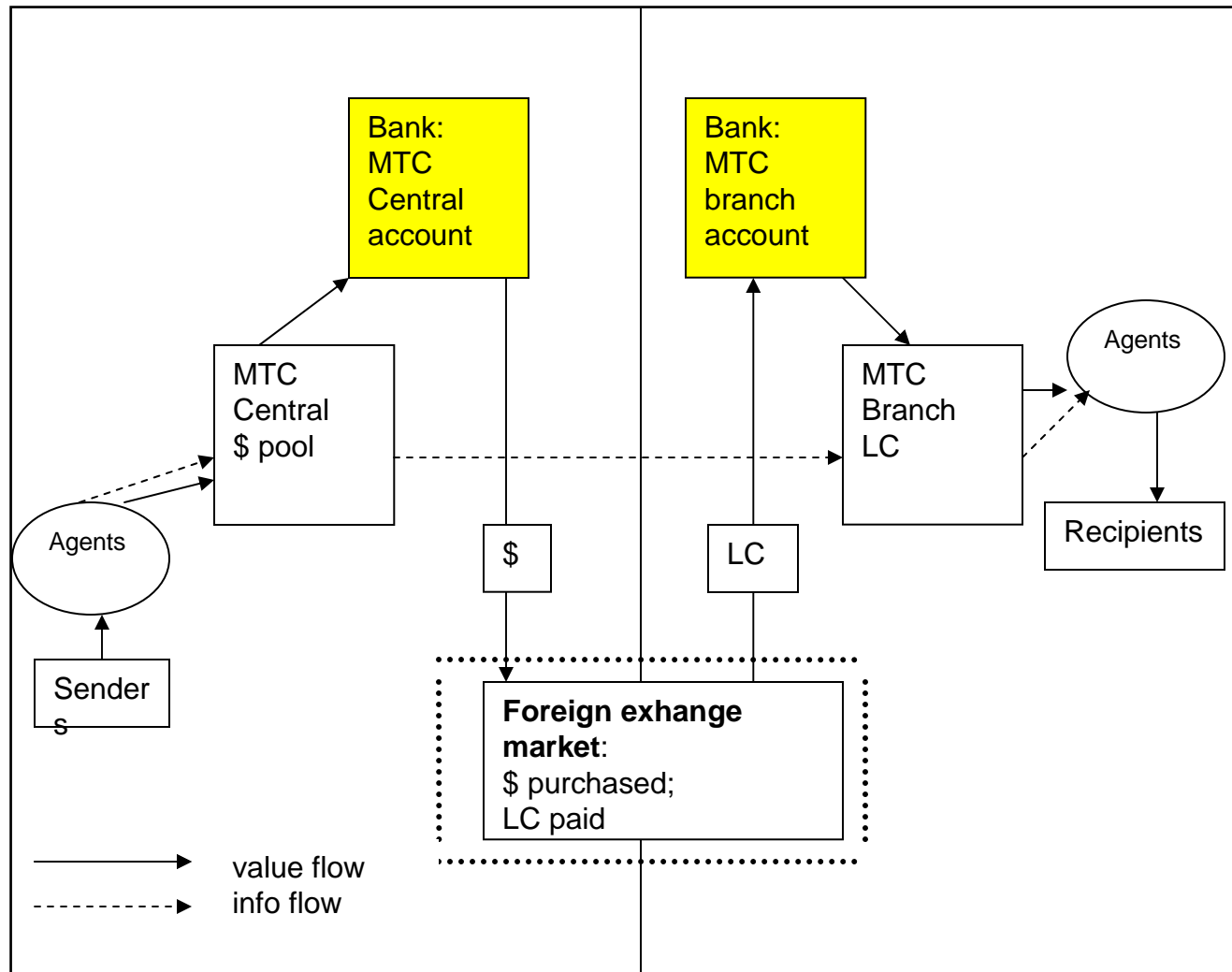
# Following the money? (debits and credits)

- Literature schematics: (CPSS/IBRD\*/, ADB, WOCCU, others)
  -  → “linear” money flow through system;
  -  → information flow about transaction

Within MTC structure, “circumvents” financial accounts;  
Sender to receiver, or MTC to MTC branch
  
- Actual “money flow” rather more complicated
  - Unexpected directionality and actors
  - Settlements on net basis
  - Confusing “debit and credit” patterns

\*/ See Annexes 3 and 4 to *General Principles for International Remittance Services*, March, 2006

# Sample Schematic for Remittance Flows: MTC Channel



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# Therefore, follow the information flow

- Implications for compilation
  - Reports from bank and MTC participants on own transactions
    - When banks are MTC agents (no)
    - When different foreign & domestic banks (yes)
  - Assumptions on data availability; Computer and IT capacity; message contents
  - Data processing and data access
  - Filtering: Probabilistic identification of remittances
  - Gaps in institutional knowledge, therefore.

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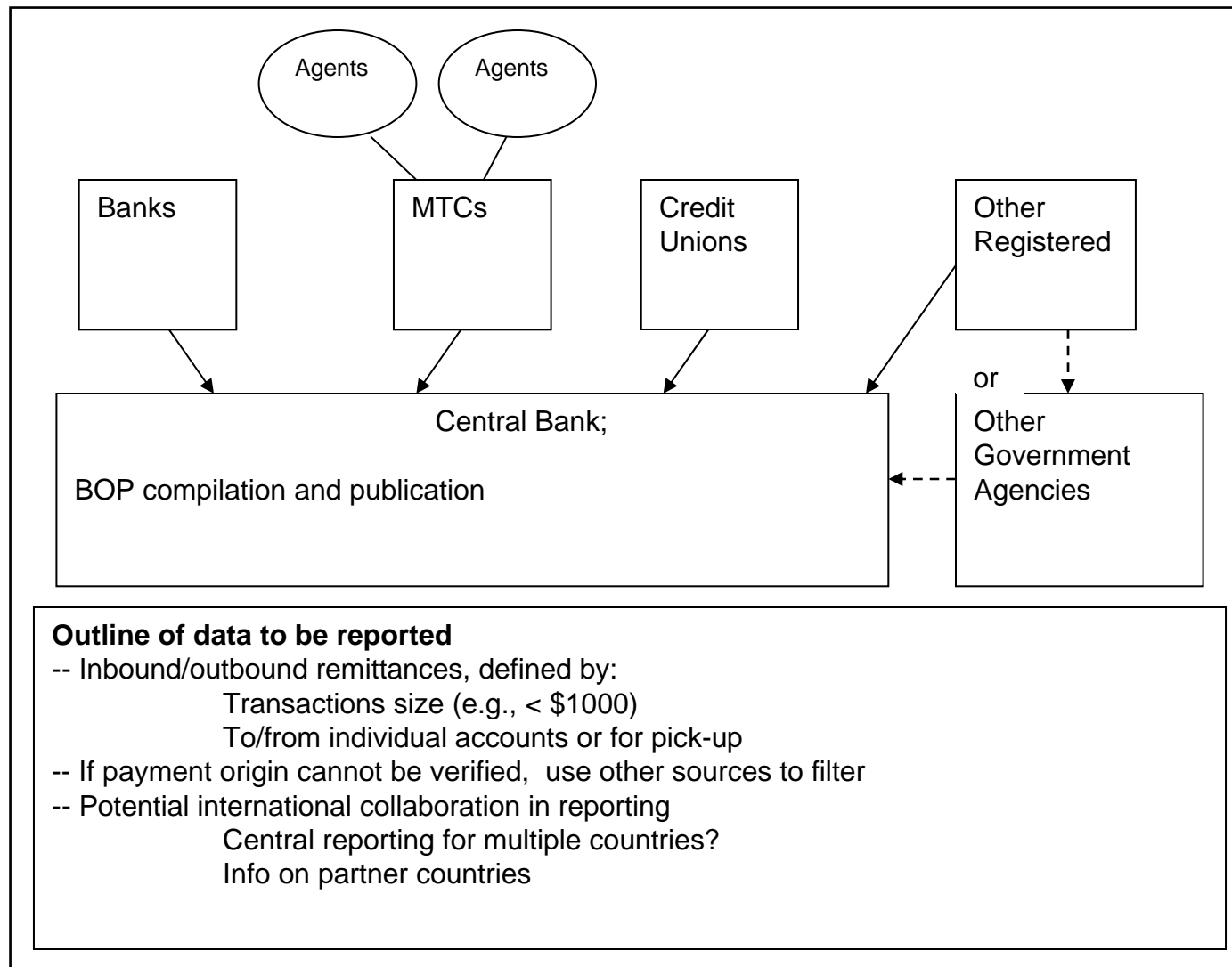
# Household Remittance Surveys

- To profile and quantify flows via noninstitutional channels
  - Cash
  - Checks, drafts by mail
  - Other channels (hawala type \*/)
  
- Connect with existing HH surveys, or separate
  - Fill gaps in bank and MTC reports
  - Limited data requirements
  - In most cases, better for credits (cf. IADB surveys of Latino remittance debits from US)

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\*/ El Qorchi, Maimbo, Wilson, *Hawala Informal Remittance System*, IMF, 2003.

## Potential Reporting Structure for Remittances in LAC Countries (Input from HH surveys not shown)



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# Reporting Considerations

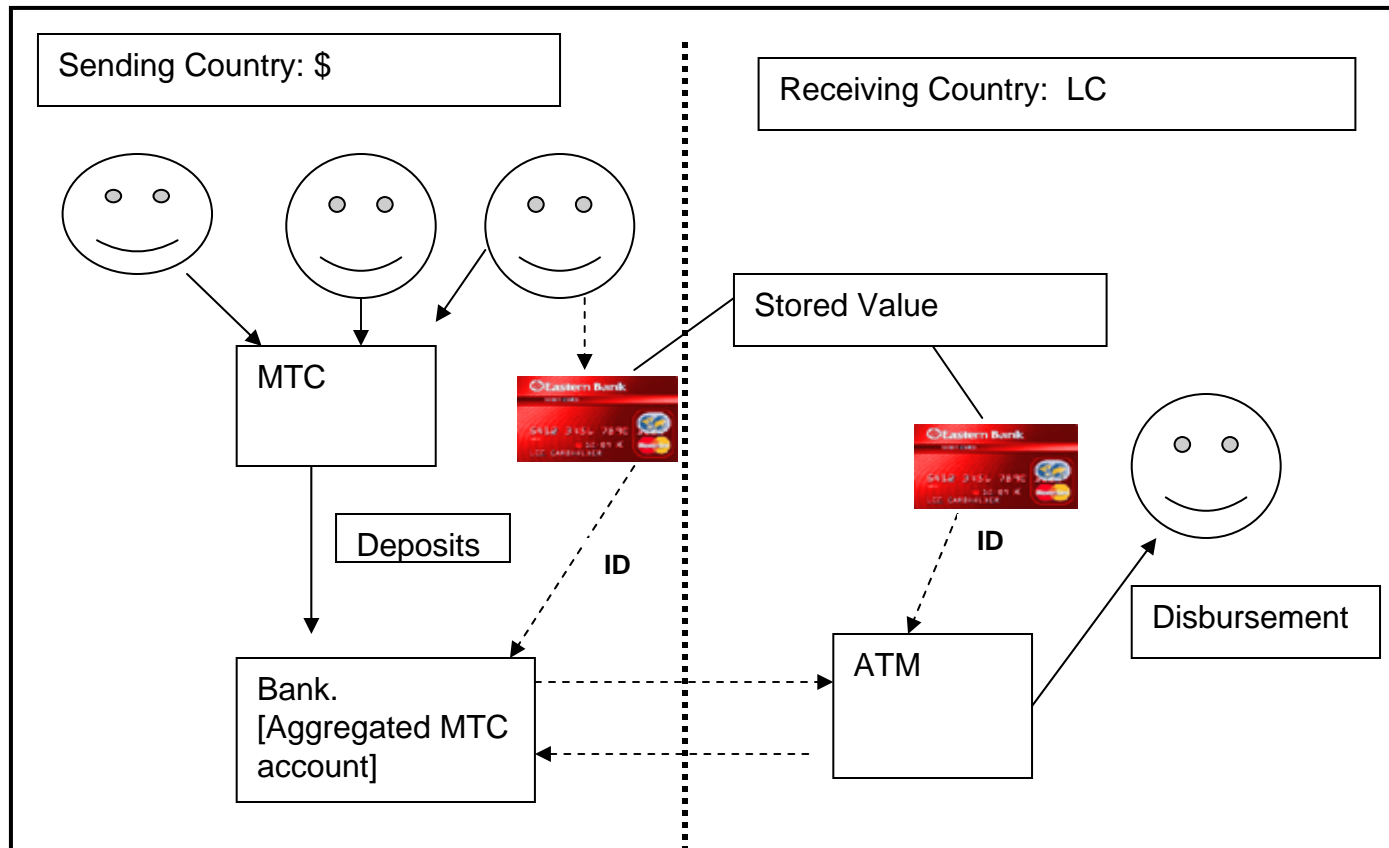
- **General**
  - ❑ Cross border payment
  - ❑ Individual recipient
  - ❑ Value filtering (absent full ITRS detail)
- **Banks**
  - ❑ All receipts to individual accounts?
  - ❑ Exclude agency disbursements (e.g., HSBC in Mexico)
- **MTCs**
  - ❑ Same MTC origin of transaction

# Remittance Innovations: Card Channel

- **Stored Value Cards (SVCs). Debit card functionality**
  - Recipient needs no bank account
  - Sender's "SVC account" value is *ad hoc* "connected to card"  
But note FDIC insurance coverage in U.S.A.
  - Several permutations
    - Bank sponsor (special "account")
    - MTC sponsor: aggregated accounts with banking system
  - Compilation possibilities?
    - Assumptions about detail from ATM transactions
    - Considerable info embedded in electronic channels!
    - Same reporting as for traditional remittance flows
  - Other electronic channels, e.g., PayPal coming along
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- Standard cross border ATM withdrawals  
Feasible remittance channel, but how to classify?  
Presently *de minimus*



# Innovations: SVC with MTC Sponsor



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## Some Prioritized Recommendations

- 1. Reporting responsibility for all institutional participants. Include banks and MTCs (exception for agents?) licensed to operate. Provision for appropriate enforcement mechanisms.
- 2. Ensure cooperation among government agencies to acquire timely and sufficient flow of data to the central bank.
- 3. Focus reports on entities' own remittance activities: MTCs and individual banks transacting remittances on their own account
- 4. Household surveys to for details about informal remittances not obtainable through institutional reports.
- 5. Common definitions to measure remittance flows. Align definitions with international practice in BOP measurement.
- 6. Coordinate discussions with multinational MTCs, so as to obtain joint reports on remittances to/from each of the LAC countries.
- 7. Implement similar designs, to help promote comparable transactions coverage, including bilateral detail on partner countries
- ...Others

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## Other possibilities

- With coordinated MTC reporting and common design:
  - Compilation efficiencies
  - Usable intra-LAC partner country data?
- Extra-LAC area data useful only if
  - Bilateral detail available
  - Confidence in compilation methodology

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# Next Steps

- Mexico City meeting, July 11-14, 2006
- Further consideration of proposed best practices and compilation strategies
- Revisions and distribution
- Missions/discussions with individual LAC countries on implementation....
- This may seem ambitious, but why not?

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END

“A BOP compiler’s work is never finished, and seldom appreciated.”

--Socrates